

# Department of Finance

Analyst: Freeman

## Historical Summary

| <b>OPERATING BUDGET</b>         | <b>FY 2002<br/>Total App</b> | <b>FY 2002<br/>Actual</b> | <b>FY 2003<br/>Approp</b> | <b>FY 2004<br/>Request</b> | <b>FY 2004<br/>Gov Rec</b> |
|---------------------------------|------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| <b>BY FUND CATEGORY</b>         |                              |                           |                           |                            |                            |
| Dedicated                       | 3,363,900                    | 3,172,200                 | 3,349,600                 | 3,470,800                  | 3,443,800                  |
| Percent Change:                 |                              | (5.7%)                    | 5.6%                      | 3.6%                       | 2.8%                       |
| <b>BY OBJECT OF EXPENDITURE</b> |                              |                           |                           |                            |                            |
| Personnel Costs                 | 2,579,200                    | 2,402,400                 | 2,589,300                 | 2,644,200                  | 2,626,000                  |
| Operating Expenditures          | 662,700                      | 648,300                   | 673,600                   | 721,600                    | 712,800                    |
| Capital Outlay                  | 122,000                      | 121,500                   | 86,700                    | 105,000                    | 105,000                    |
| <b>Total:</b>                   | <b>3,363,900</b>             | <b>3,172,200</b>          | <b>3,349,600</b>          | <b>3,470,800</b>           | <b>3,443,800</b>           |
| Full-Time Positions (FTP)       | 43.00                        | 43.00                     | 43.00                     | 43.00                      | 43.00                      |

## Department Description

The Department of Finance regulates the enterprises in this state that provide financial services to Idaho consumers. It protects Idaho consumer buyers and borrowers against unfair lending and collection practices, and protects Idaho investors against deceptive and fraudulent investment practices.

The department is given broad discretionary authority to charter and regulate the activities of banks, bank holding companies, business and industrial development corporations, credit unions, trust companies, and savings and loan associations. The department examines the books, records and operations of these institutions' assets, operations, and management to determine what actions the state will take to assure the safety of funds of Idaho citizens. (Idaho Code § 67-2701)

The Department of Finance is the licensing authority for regulated lenders, collection agencies and retail sellers of goods and services extending credit to their customers, securities issuers, broker/dealers, salesmen, investment advisers, endowed care cemeteries and continuing care providers. Licensing and regulation of these activities includes the review of securities offerings to ensure full disclosure, and examination of the books, records and business practices for compliance with state and federal laws, rules and regulations. The Commodity Code gives the department enforcement authority to detect and prevent commodity scams. The Mortgage Company Act grants authority to resolve mortgage related consumer complaints. The department issues rulings in connection with attempts by corporations to acquire control of publicly held Idaho corporations pursuant to purchases of a controlling number of the equity securities.

The department administers and enforces the Bank Act, Savings and Loan Act, Mortgage Company Act, Business and Industrial Development Corporation Act, Credit Union Law, Idaho Credit Code, Securities Act, Commodity Code, Corporate Take-Over Laws (Idaho Control Share Acquisition Act, Idaho Business Combination Law), Collection Agency Law, Residential Mortgage Practices Act, Continuing Care Disclosure Act, and the Endowed Care Cemetery Act.

# Department of Finance

Analyst: Freeman

## Comparative Summary

| Decision Unit                         | Agency Request |          |                  | Governor's Rec |          |                  |
|---------------------------------------|----------------|----------|------------------|----------------|----------|------------------|
|                                       | FTP            | General  | Total            | FTP            | General  | Total            |
| <b>FY 2003 Original Appropriation</b> | <b>43.00</b>   | <b>0</b> | <b>3,349,600</b> | <b>43.00</b>   | <b>0</b> | <b>3,349,600</b> |
| Removal of One-Time Expenditures      | 0.00           | 0        | (108,700)        | 0.00           | 0        | (108,700)        |
| <b>FY 2004 Base</b>                   | <b>43.00</b>   | <b>0</b> | <b>3,240,900</b> | <b>43.00</b>   | <b>0</b> | <b>3,240,900</b> |
| Personnel Cost Rollups                | 0.00           | 0        | 31,300           | 0.00           | 0        | 36,700           |
| Inflationary Adjustments              | 0.00           | 0        | 8,800            | 0.00           | 0        | 0                |
| Replacement Items                     | 0.00           | 0        | 135,000          | 0.00           | 0        | 135,000          |
| Nonstandard Adjustments               | 0.00           | 0        | 31,200           | 0.00           | 0        | 31,200           |
| Change in Employee Compensation       | 0.00           | 0        | 23,600           | 0.00           | 0        | 0                |
| <b>FY 2004 Total</b>                  | <b>43.00</b>   | <b>0</b> | <b>3,470,800</b> | <b>43.00</b>   | <b>0</b> | <b>3,443,800</b> |
| Change from Original Appropriation    | 0.00           | 0        | 121,200          | 0.00           | 0        | 94,200           |
| % Change from Original Appropriation  |                |          | 3.6%             |                |          | 2.8%             |

# Department of Finance

Analyst: Freeman

| Budget by Decision Unit  | FTP   | General | Dedicated | Federal | Total     |
|--|-------|---------|-----------|---------|-----------|
| <b>FY 2003 Original Appropriation</b>  | 43.00 | 0       | 3,349,600 | 0       | 3,349,600 |
| <b>Removal of One-Time Expenditures</b>  |       |         |           |         |           |
| Agency Request   | 0.00  | 0       | (108,700) | 0       | (108,700) |
| Governor's Recommendation  | 0.00  | 0       | (108,700) | 0       | (108,700) |
| <b>FY 2004 Base</b>  |       |         |           |         |           |
| Agency Request   | 43.00 | 0       | 3,240,900 | 0       | 3,240,900 |
| Governor's Recommendation  | 43.00 | 0       | 3,240,900 | 0       | 3,240,900 |
| <b>Personnel Cost Rollups</b>  |       |         |           |         |           |
| Includes the employer portion of estimated changes in employee benefit costs.  |       |         |           |         |           |
| Agency Request   | 0.00  | 0       | 31,300    | 0       | 31,300    |
| <i>The Governor also recommends additional funding to be applied to the employee paid portion of health and dental insurance cost increases, in order to prevent employees from experiencing a reduction in take-home pay.</i> |       |         |           |         |           |
| Governor's Recommendation  | 0.00  | 0       | 36,700    | 0       | 36,700    |
| <b>Inflationary Adjustments</b>  |       |         |           |         |           |
| Includes a general inflationary increase of 2.4% in operating expenditures.  |       |         |           |         |           |
| Agency Request   | 0.00  | 0       | 8,800     | 0       | 8,800     |
| <i>The Governor recommends no increase for general inflation.</i>  |       |         |           |         |           |
| Governor's Recommendation  | 0.00  | 0       | 0         | 0       | 0         |
| <b>Replacement Items</b>   |       |         |           |         |           |
| Capital Outlay: 10 PCs (\$45,000), 4 servers (\$40,000), and 1 vehicle (\$20,000).<br>Operating Expenditures: 3 software upgrades for document management, security and desktop programs (\$30,000).                           |       |         |           |         |           |
| Agency Request   | 0.00  | 0       | 135,000   | 0       | 135,000   |
| Governor's Recommendation  | 0.00  | 0       | 135,000   | 0       | 135,000   |
| <b>Nonstandard Adjustments</b>   |       |         |           |         |           |
| Reflects an adjustment in Attorney General and Treasurer fees pursuant to the Statewide Cost Allocation Plan. Also reflects an adjustment for Risk Management property/casualty rates.   |       |         |           |         |           |
| Agency Request   | 0.00  | 0       | 31,200    | 0       | 31,200    |
| Governor's Recommendation  | 0.00  | 0       | 31,200    | 0       | 31,200    |
| <b>Change in Employee Compensation</b>   |       |         |           |         |           |
| Reflects the cost of a 1% salary increase for permanent positions.   |       |         |           |         |           |
| Agency Request   | 0.00  | 0       | 23,600    | 0       | 23,600    |
| <i>The Governor does not recommend new funding for state employee pay increases. Compensation increases may be funded with agency salary savings wherever possible.</i>  |       |         |           |         |           |
| Governor's Recommendation  | 0.00  | 0       | 0         | 0       | 0         |
| <b>FY 2004 Total</b>   |       |         |           |         |           |
| Agency Request   | 43.00 | 0       | 3,470,800 | 0       | 3,470,800 |
| Governor's Recommendation  | 43.00 | 0       | 3,443,800 | 0       | 3,443,800 |

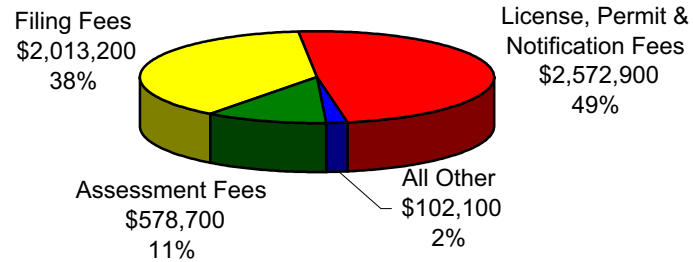
# Department of Finance

Analyst: Freeman

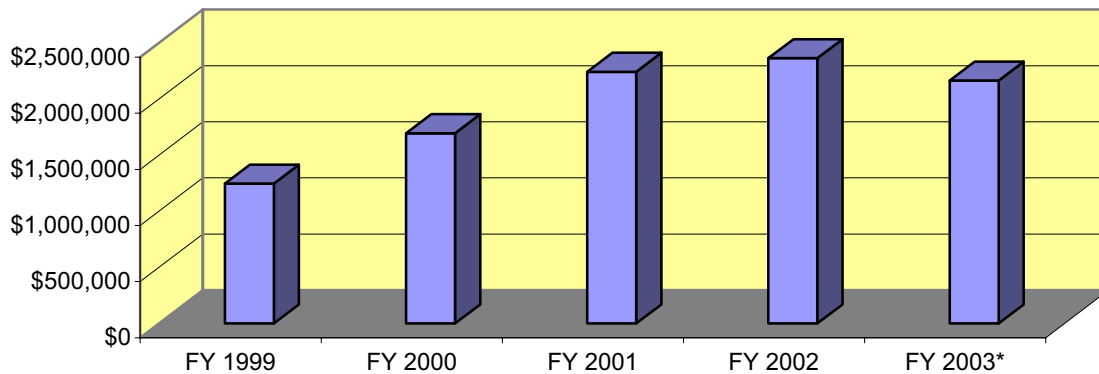
| Budget by Decision Unit          | FTP  | General | Dedicated | Federal | Total   |
|----------------------------------|------|---------|-----------|---------|---------|
| <i>Agency Request</i>            |      |         |           |         |         |
| Change from Original App         | 0.00 | 0       | 121,200   | 0       | 121,200 |
| % Change from Original App       | 0.0% |         | 3.6%      |         | 3.6%    |
| <i>Governor's Recommendation</i> |      |         |           |         |         |
| Change from Original App         | 0.00 | 0       | 94,200    | 0       | 94,200  |
| % Change from Original App       | 0.0% |         | 2.8%      |         | 2.8%    |

### FY 2002 Actual Revenues

Total - \$5,266,900

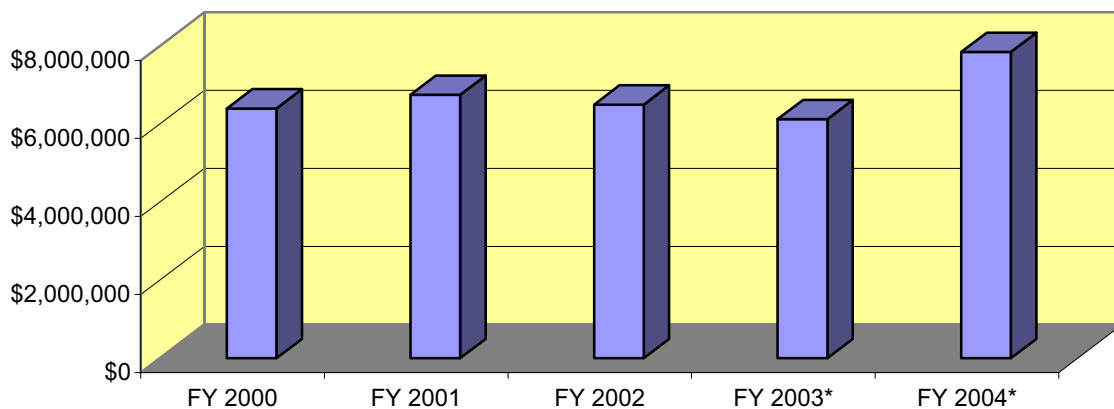


### Transfers to General Fund



At the beginning of each fiscal year, those moneys in the financial administration account which exceed the current year's appropriation plus any residual encumbrances made against the prior year's appropriations by 25% or more shall be transferred to the general fund. (Idaho Code §67-2702)

### Financial Administration Fund Balance

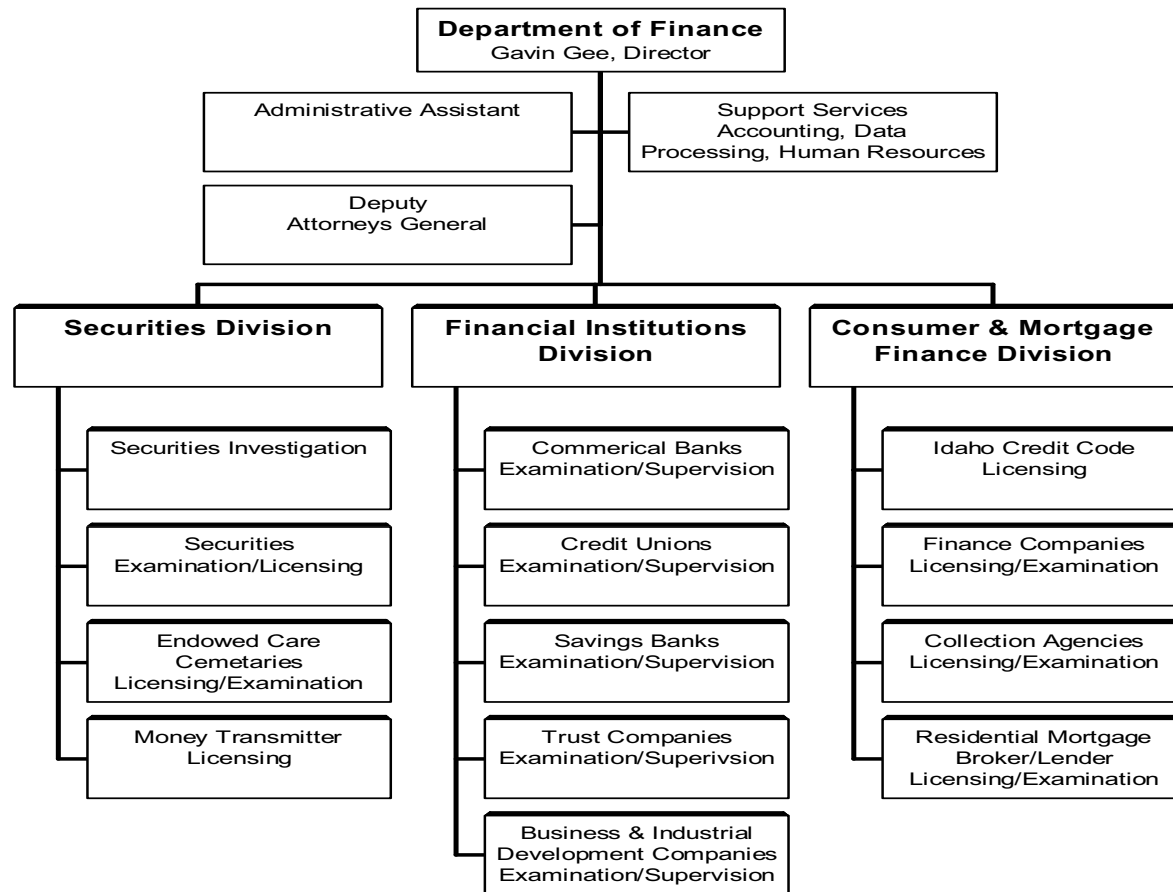


\* Figures are based on revenue projections.

# Department of Finance

## Issues & Information

Analyst: Freeman



| Performance Measures   |        |        |           |           |
|--|--------|--------|-----------|-----------|
| Selected Measures  | FY01   | FY02   | FY03 Est. | FY04 Est. |
| <b>1. Examine state chartered/licensed financial institutions.</b>                                   |        |        |           |           |
| a. Examine banks.  | 27     | 27     | 32        | 32        |
| b. Examine savings banks.  | 0      | 1      | 1         | 3         |
| c. Examine credit unions.  | 41     | 38     | 40        | 40        |
| d. Examine collection agencies.  | 35     | 31     | 50        | 50        |
| <b>2. License individuals and firms desiring to conduct business of a financial nature in Idaho.</b> |        |        |           |           |
| a. Money transmitters.   | 40     | 40     | 42        | 42        |
| b. Those extending consumer credit.  | 2,666  | 2,527  | 2,500     | 2,500     |
| c. Collection agencies (permit renewals).  | 416    | 436    | 440       | 440       |
| d. Solicitors/Collectors.  | 25,789 | 31,235 | 30,000    | 30,000    |
| e. Securities broker/dealers.  | 1,585  | 1,555  | 1,600     | 1,650     |
| f. Securities salesmen agents.   | 63,819 | 60,945 | 62,000    | 63,000    |
| g. Securities investment advisors.   | 553    | 610    | 625       |           |
| h. Securities investment advisor agents.   | 360    | 822    | 850       | 850       |
| i. Residential mortgage broker/lenders.  | 1,044  | 1,150  | 1,100     | 1,100     |